

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 1349

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E.O. 11652: GDS

TAGS: TGEN, XEJA

SUBJECT: ENRICHED URANIUM

REF: (A) TOKYO 1098

(B) TOKYO 1351

SUMMARY: FURTHER DISCUSSIONS WITH TANAKA (EXECUTIVE V.P. OF TOKYO ELECTRIC POWER CO.), TAMIYA (STAFF DIRECTOR OF ERG), AS REPORTED REF. (B) AND WITH IMAI, REPORTED HEREIN, CONFIRM AND STRENGTHEN ASSESSMENT OF REF. (A) THAT JAPANESE ARE NOT READY TO MAKE COMMITMENT TO UEA. ADDITIONAL INFORMATION IS PROVIDED ON REASONS FOR THIS CONCLUSION, AND RECOMMENDATION IS MADE THAT USG CONSIDER OFFERING TO CONSULT WITH GOJ ON SUBJECT. END SUMMARY.

1. IN PRIVATE CONVERSATION WITH EMBOFF, IMAI WENT CONSIDERABLY BEYOND REMARKS REPORTED IN REF (B) IN EXPLAINING JAPANESE (OR IMAI'S) ATTITUDE TOWARD UEA PROJECT. IMAI INITIALLY MADE POINT THAT MUCH HAS CHANGED SINCE CONCEPT OF JOINT US-JAPAN ENRICHMENT PROJECT WAS FIRST ENDORSED IN AUGUST 73 COMMUNIQUE. IDEA ORIGINALLY WAS TO HELP CORRECT US-JAPAN TRADE IMBALANCE; NOW, PROJECT MUST STAND ON OWN FEET AS BUSINESS PROPOSITION. IMAI'S NEXT POINT, ALSO STATED IN VARIOUS WAYS BY OTHERS, IS THAT JAPANESE UTILITY INDUSTRY IS IN POOR FINANCIAL CONDITION AND NOT ANXIOUS TO SPEND OR COMMIT MONEY ON ANY LARGE PROJECTS
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AT PRESENT. HE ECHOED INOUE'S COMMENTS, REPORTED IN REF (A),

THAT, AT THIS JUNCTURE, JAPANESE PARTICIPATION WOULD CLEARLY REQUIRE GOJ FINANCIAL SUPPORT.

2. SINCE PROJECT MUST STAND ON ITS OWN MERITS AS BUSINESS PROPOSITION, IMAI STATED THAT PROJECT LEADERSHIP WAS OF CRUCIAL IMPORTANCE, ESPECIALLY GIVEN JAPANESE WAY OF DOING BUSINESS. THIS NEED WAS EMPHASIZED STILL MORE IN CONNECTION WITH ENRICHMENT PROJECT, WHERE JAPAN WOULD BE DEPRIVED OF FULL ACCESS TO TECHNOLOGY. HE THEN PROCEEDED TO EXPRESS WITH SOME EMPHASIS HIS CONCERN OVER WHAT HE REGARDED AS OVER-PROMOTION AND INACCURATE REPRESENTATIONS ON THE PART OF SENIOR BECHTEL OFFICIALS ASSOCIATED WITH PROJECT. AS SPECIFIC EXAMPLES, HE CITED AN ALLEGED CLAIM CIRCULATED IN US THAT JAPAN WOULD BUY 3000 MT/YR FROM UEA, WHEN IN FACT ONLY FIGURE OFFICIALLY MENTIONED BY JAPAN WAS 2000 TONS, AND THAT ONLY IN HIGHLY CONDITIONAL FASHION. HE ALSO CLAIMED ALLEGED FRENCH COMMITMENT TO BUY PORTION OF FRENCH REQUIREMENT FROM UEA WAS FOUND TO LACK SUBSTANCE WHEN CHECKED ON IN PARIS BY JAPANESE EMBASSY OFFICIAL. HE MADE IT CLEAR, HOWEVER, THAT HIS CONCERNS GO BEYOND EXAMPLES CITED.

3. TURNING TO THE STRUCTURE OF UEA PROJECT AS NOW UNDERSTOOD IN JAPAN, IMAI CLAIMS JAPANESE INDUSTRY IS CONCERNED BY LACK OF CLEARLY RESPONSIBLE PARTY IN PROJECT WHO WOULD TAKE BLAME IF ANYTHING WENT WRONG. JAPAN HAS SIMILAR CONCERN WITH APPARENTLY LOW PERCENTAGE OF US UTILITY INDUSTRY COMMITMENT TO PROJECT (WHICH JAPANESE ARE CONVINCED IS ONLY 1500 TONS OUT OF 9000 TOTAL). HE REPEATEDLY EXPRESSED CONCERN OVER FACT, AS HE UNDERSTANDS IT, THAT AS MATTERS ARE NOW SHAPING UP, PERHAPS 60 0/0 OF PLANT OUTPUT AND EQUITY CAPITAL WOULD BE FOREIGN, YET, BY US LAW, CONTROL WOULD REST BY DEFINITION WITH MINORITY US OWNERS. IN ANY EVENT, JAPANESE FEEL THEY MUST RELY HEAVILY FOR PROTECTION OF THEIR INTERESTS ON CONFIDENCE IN LEADERSHIP AND ON KNOWLEDGE THAT IF ANYTHING GOES WRONG, US UTILITY INDUSTRY, WHOSE INTERESTS WOULD PARALLEL THEIR OWN, WOULD USE ITS MUSCLE TO STRAIGHTEN IT OUT. IMAI DOES NOT SEE THESE CONDITIONS BEING SATISFIED AT PRESENT.

4. ON QUESTION OF TECHNOLOGY, IMAI CLAIMED THAT MANY IN US AND JAPAN BELIEVE CENTRIFUGE PROCESS REPRESENTS FUTURE DIRECTION OF CONFIDENTIAL

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URANIUM ENRICHMENT, AND ACKNOWLEDGED HIS OWN BIAS IN THIS DIRECTION. HE POINTED OUT THAT BY COMMITTING SCARCE JAPANESE RESOURCES TO A DIFFUSION PROJECT, JAPANESE PARTICIPATION IN UEA WOULD INEVITABLY REDUCE JAPAN'S OPPORTUNITY TO PARTICIPATE IN A CENTRIFUGE PROJECT SHOULD ONE MATERIALIZE. IN THIS REGARD, HE MENTIONED IN AN AFFIRMATIVE WAY THAT AN EXXON GROUP WOULD BE VISITING TOKYO FOR RENEWED DISCUSSION OF JAPANESE COOPERATION IN FEBRUARY, AND THAT ERG WAS ALSO CONSIDERING REQUESTS FOR

JAPANESE CONTRIBUTION TO CENTRIFUGE PROGRAMS OF GARRETT AND ANOTHER GROUP. NEVERTHELESS, IMAI CONCLUDED THAT FACT THAT UEA IS A DIFFUSION PROJECT IS NOT IN ITSELF A DISQUALIFYING FACTOR FOR JAPANESE PARTICIPATION.

5. WITH RESPECT TO DIRECT USG INVOLVEMENT IN PROJECT, IMAI ACKNOWLEDGED THAT THIS WAS NOT PER SE A DISQUALIFYING FACTOR AND COULD, IN FACT, BE AN AFFIRMATIVE FACTOR FOR JAPANESE PARTICIPATION IN UEA, BUT THAT ALL DEPENDED ON NATURE OF THE USG ROLE. IMAI HAD ALREADY RAISED IN EARLIER MEETING RHETORICAL QUESTION OF WHY, IF USG IS IN FACT CONSIDERING OFFER OF SUPPORT TO UEA, JAPANESE SHOULD NOT LEARN THIS DIRECTLY FROM USG RATHER THAN INDIRECTLY FROM BECHTEL. EMBOFF ASKED IMAI IN CONVERSATION REPORTED HEREIN WHETHER THIS QUESTION CONSTITUTED SUGGESTION THAT USG SHOULD PROPOSE DIRECT DISCUSSIONS ON UEA PROJECT. IMAI EVADED DEFINITIVE ANSWER, ACKNOWLEDGING THAT THERE COULD BE ADVANTAGES TO SUCH DISCUSSIONS BUT EXPRESSING CONCERN OVER POSSIBILITY THAT SUCH PROPOSAL COULD BE MISCONSTRUED AS PRESSURE ON JAPAN TO REACH EARLY AFFIRMATIVE DECISION. HE ALSO STATED THAT IN ANY SUCH DISCUSSIONS, IT WOULD BE IMPORTANT TO CONSIDER RELATIONSHIP OF URANIUM ENRICHMENT TO OVERALL ENERGY POLICIES OF BOTH COUNTRIES.

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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 1349

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6. EMBOFF PRESSED IMAI TO CLARIFY WHETHER CURRENT ECONOMIC DIFFICULTIES IN THEMSELVES RULED OUT EARLY JAPANESE DECISION TO PARTICIPATE IN UEA, OR WHETHER SUCH PARTICIPATION WAS ECONOMICALLY POSSIBLE IF JAPANESE CONCERNS OVER UEA PROJECT

COULD BE OVERCOME. IMAI REFUSED TO SAY THAT EARLY DECISION ON PARTICIPATION WAS RULED OUT ON FINANCIAL GROUNDS ALONE, IMPORTANT AS THESE ARE, BUT PROFESSED TO SEE LITTLE LIKELIHOOD THAT ANY ADJUSTMENTS TO CURRENT UEA PROJECT COULD OVERCOME JAPANESE RESERVATIONS, AND ATTRACT JAPANESE SUPPORT, IN CONTRAST TO "FORCING" PARTICIPATION. IN THIS REGARD, HE NOTED THAT JAPANESE LEADERS, ESPECIALLY KIKAWADA (CHAIRMAN, TOKYO ELECTRIC POWER CO.) WERE ANXIOUS TO AVOID SITUATION IN WHICH JAPANESE MIGHT BE BLAMED FOR US INABILITY TO MOVE AHEAD WITH PROJECT, BUT HE OBSERVED THAT PARTICIPATION THAT WAS COMPELLED WOULD HARDLY BE CONSISTENT WITH USUAL PATTERN OF US-JAPANESE BUSINESS RELATIONSHIPS. HIS CONCLUSION WAS THAT IDEAL SITUATION WOULD BE THAT MATTERS BE ALLOWED TO SIMMER DOWN, AND NO DECISIONS MADE, FOR AT LEAST A COUPLE OF MONTHS.

7. EMBASSY COMMENT: EMBASSY IS NOT IN POSITION TO EVALUATE VALIDITY OF IMAI'S CLAIMS RE BECHTEL PROMOTIONAL ACTIVITIES, AND WE DO NOT WISH TO OVERESTIMATE IMAI'S SIGNIFICANCE IN OVERALL NUCLEAR SCENE, BUT WE NEVERTHELESS FEEL COMPELLED TO REPORT GIST OF HIS OBVIOUSLY STRONGLY HELD VIEWS. AS INDICATED IN REF (A), IMAI IS KNOWLEDGEABLE AND INFLUENTIAL, BUT IS CONFIDENTIAL

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ONLY ONE OF MANY IN THE PICTURE. IN EXPRESSING HIMSELF ALONG LINES REPORTED HEREIN, HE HIMSELF MADE POINT THAT HE DOES NOT NOW WHICH WAY TOP LEADERS WILL DECIDE, BUT, ON BASIS OF CONVERSATIONS WITH OTHERS, WE CONSIDER IT CERTAIN THAT IMAI'S VIEWS ARE WELL-KNOWN THROUGHOUT NUCLEAR CIRCLES AND, GIVEN IMAI'S INFLUENCE, ARE THEREFORE A FACTOR TO BE RECKONED WITH. IN SUMMARY, WE NOW TEND TO FEEL THAT SITUATION IS EVEN LESS PROMISING THAN THAT DESCRIBED IN REF (A), IN SENSE THAT THERE APPEAR TO BE RESERVATIONS CONCERNING UEA WHICH GO BEYOND OBJECTIVE FACTORS SUCH AS SHARE OF OUTPUT TO BE TAKEN BY US UTILITIES.

8. EMBASSY IS, OF COURSE, NOT FULLY ABREAST OF URANIUM ENRICHMENT DEVELOPMENTS IN US, BUT WE HAVE IMPRESSION THAT MATTERS MAY BE MOVING TOWARD A DECISIVE STAGE. WHILE WE BELIEVE IMAI'S SUGGESTION OF A TWO-MONTH MORATORIUM ON DIALOGUE ON UEA PROJECT IS SOUND IF NO DECISIONS ARE BEING MADE, WE CONTINUE TO FEEL THAT AT LEAST AN OFFER OF DIRECT GOVERNMENT-TO-GOVERNMENT CONSULTATION WOULD BE DESIRABLE IF USG SUPPORT IS REAL POSSIBILITY AND IF PROJECT IS IN FACT MOVING INTO DECISIVE PHASE. WE RECOGNIZE THAT JAPAN ENJOYS NO VETO OVER STRUCTURE OF US ENRICHMENT PROJECT. NEVERTHELESS, HISTORY OF PROJECT, INCLUDING HIGH-LEVEL ENDORSEMENT OF JOINT ENRICHMENT ENDEAVOR, JAPAN'S 50 0/0 CONTRIBUTION TO COST OF UEA STUDY, OUR OVERALL COOPERATIVE RELATIONSHIP, AND, MOST IMPORTANTLY, WHAT WE BELIEVE IS EVIDENT US INTEREST IN MAXIMIZING POSSIBILITY OF

JAPANESE PARTICIPATION MAKE CONSULTATION WITH JAPANESE
DESIREABLE AND APPROPRIATE BEFORE FINAL DECISIONS ARE MADE
ON NATURE OF USG SUPPORT TO PROJECT AND OTHER CRUCIAL
FACTORS. IF SUCH CONSULTATIONS ARE PROPOSED, HOWEVER, IT
IS OF VITAL IMPORTANCE, IN OUR VIEW, THAT THEY BE PROPOSED
AND CONDUCTED IN SPIRIT OF CONSULTATIONS WHICH WILL
ALLOW US TO TAKE JAPANESE VIEWS INTO ACCOUNT, AND NOT AS
PROMOTIONAL EFFORT TO PRESS FOR JAPANESE DECISION. WE DO
NOT RULE OUT POSSIBILITY THAT JAPANESE WOULD EXPRESS
PREFERENCE TO DEFER SUCH DISCUSSIONS IF PROPOSED, BUT WE
BELIEVE OFFER WOULD NEVERTHELESS WORK TO US LONG- RUN
ADVANTAGE.
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